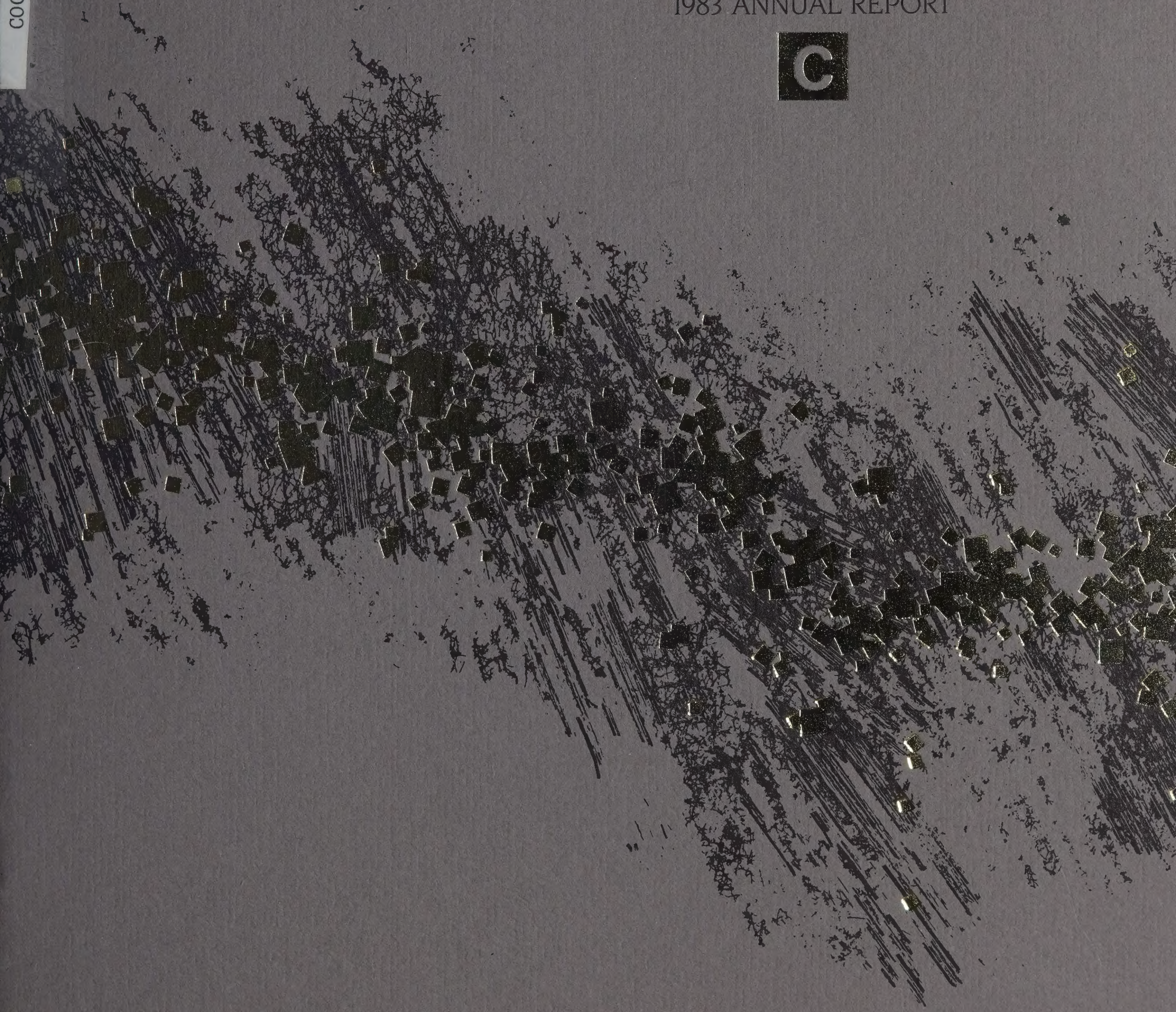
COCHRANE OIL & GAS LTD.

1983 ANNUAL REPORT



CORPORATE PROFILE

Cochrane Oil & Gas Ltd. is an Alberta-based Canadian owned Company involved in the exploration, development and production of petroleum, gold, and base metals. The Company's oil and natural gas activities occur mainly in Alberta, while mining exploration is actively pursued in Ontario and British Columbia. The shares of the Company are traded on the Alberta Stock Exchange under the symbol COG.

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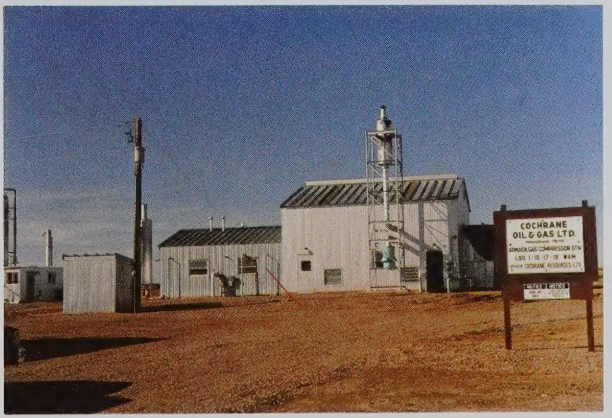
ANNUAL MEETING

The Annual Meeting of Cochrane Oil & Gas Ltd. will be held at 10:00 a.m. on June 26, 1984, in the Banff Room at the Westin Hotel, Calgary, Alberta.

CORPORATE COMMENT

Cochrane's performance during 1983 was largely confined to building a wider asset base and although we suffered a substantial decrease in gas sales due to lowered demands, we were able to obtain new industrial contracts that came into effect at year's end. Oil sales from our U.S. properties were constant throughout the year. Not reflected in the Company's gas sales were substantial sales from new wells that were attributed to a Limited Partnership that the Company operates and that came on stream in the latter part of 1983. The Company's working interest and cash flow will increase substantially after payout is achieved on the new wells with payouts on most wells scheduled to occur in early 1984. The total gross gas sales volume under which the Company was producing was up from approximately 2.0 million cubic feet at the beginning of the year to 6.0 million cubic feet per day by year end.

Cochrane's priority is to participate in oil and gas exploration in Western Canada, and to maintain at current levels or dispose for a profit the Company's holdings in the United States. The Company has participated in a variety of ventures in the U.S. since 1978 and has enjoyed moderate success in these ventures. It is our opinion, however, that the quality of the prospects and magnitude of the reserves per well which subsequently translates into a "finding price" per MCF or barrel of oil are much less in Canada than in the United States. Another important factor is the differential in currencies for a Canadian exploration company. For these and other reasons we have decided to concentrate our activities in Western Canada where our exploration and operating expertise is greatest.



Armada Gas Compressor Station operated by Cochrane Oil & Gas Ltd.

Although Cochrane is principally a natural gas oriented Company, we have in 1983 outlined several oil prospects that are still to be drilled. Some of these Lower Cretaceous channel sand prospects in southern Alberta were outlined in part by some of the unsuccessful wells drilled in 1983. These higher risk but potentially high reserve prospects if successful will have a very large impact on the value of Cochrane's reserves.

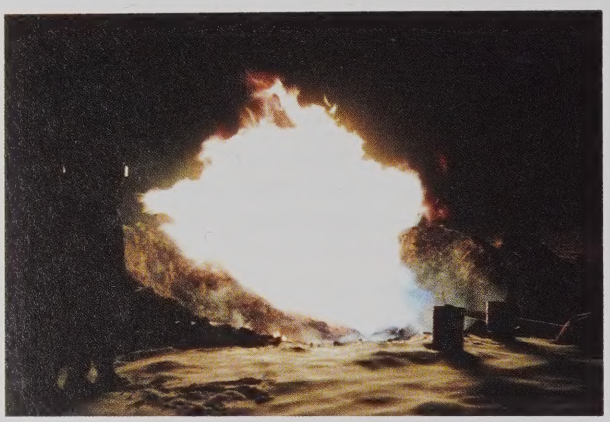
In other areas of endeavour, the Company carried out during the summer of 1983 an extensive geological mapping and geophysical survey on its 250 gold claims in the Manitou Lakes area of northwestern Ontario. This work served to delineate numerous anomalies, some of which were drilled in the 1984 winter season.

Cochrane also became a shareholder in Cypress Alfalfa Processors of Medicine Hat, Alberta who produce dehydrated alfalfa pellets for export to Pacific rim countries. The plant become operational in December 1983. As well as being a shareholder, Cochrane has the right to sell to the plant all the gas it requires for its operations.

OUTLOOK

The continuing economic uncertainties affecting export gas brought on by the recession in North America and augmented by Canadian Government policies dictate that our strategy for 1984 be focused on two fronts. The Company is still gas oriented and although industrial gas contracts in Alberta command discounts of up to 50% of the Alberta Border Price it is our aim to sell on short term or on re-negotiable price contracts as much gas as we can produce. To this end the Company should have gross gas sales approaching 15 million cubic feet per day from its Alberta properties and 8 million cubic feet per day from its Saskatchewan properties by late 1984.

The second area of concentration of effort and expenditures will be the development of oil prospects to take advantage of available markets, reduced royalties on discovery wells and near world prices for NORP oil.



Flaring of gas to pit, CRL *et al Armada* 14-9-16-19W4M, *Alberta*

In addition to acquiring oil and gas reserves by drilling, the Company has embarked on a program of property or Corporate acquisitions to more rapidly increase its reserves. At this time the Company has successfully completed the acquisition of a net 50% interest in the gas gathering and processing facilities from a Limited Partnership for which the Company acted as the General Partner. The total gas facilities were valued at $6.0 million dollars and producing oil and gas properties which Cochrane retained totally for its account were valued at $750,000.00.

At this time the company is in the process of preparing takeover offers for two other Limited Partnerships with producing oil and gas properties in Alberta with combined gross assets in excess of $5.0 million dollars. The Company is also evaluating the assets of several private and public corporate entities with the intention of acquiring either the properties or the Companies by virtue of a combined cash and share exchange offer.

In connection with other potential high cash flow operations, Cochrane is funding research at the University of Calgary in the area of plant protein and vitamin extraction to supplement known processes at operating plants in the U.S. and Europe. A wide range of products can be produced and ready markets for the products have been identified. Cochrane intends to be a major shareholder in the company that would own and operate such facilities. These facilities are expected to be in operation by late 1985 or early 1986.

After completion of an extensive winter drilling operation on its Manitou Lakes gold claims, the Company is in the process of having the cores assayed. Upon completion of this work the Company will farm out its 94% interest to a major mining Company while retaining a substantial interest in the property.

With programs developing to fulfill gas sales contracts and coupled with ongoing acquisitions the Company expects to add several key people to its current staff of experienced personnel. As a result of this expansion the Company's offices will by mid 1984 be relocated downtown in the First Canadian Centre Building.

Assuming we are able to complete the various programs now initiated, we look forward to an expansion of Gross Revenue in 1984 in the order of at least 400% of that experienced in 1983. We will also be able to maintain our long term debt at a manageable level and finance much of our development drilling in the future from cash flow. Our long awaited period of growth appears to be at hand. We look forward with renewed optimism to a major change and growth of the Company over the next several years.

SUBMITTED ON BEHALF OF THE BOARD,

George Isfan

MAY 1984

GEORGE ISFAN,
PRESIDENT

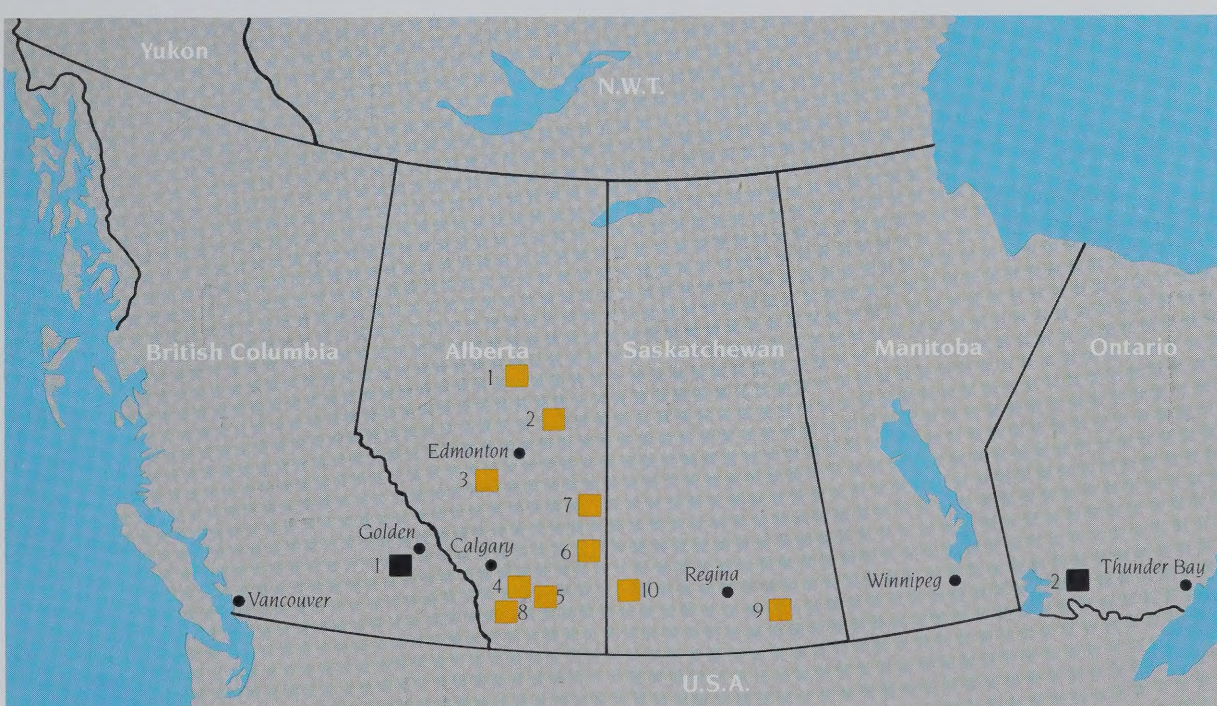
EXPLORATION & DEVELOPMENT

OIL & GAS

Cochrane Oil and Gas in conjunction with a Limited Partnership Fund drilled 14 wells in 1983. Eleven wells were completed as oil producers, one well was completed as a gas producer and two wells were dry and abandoned for a success ratio of 85%. The Company continued to concentrate on the Armada area of southeastern Alberta although a new oil pool at Long Coulee has interesting development potential. United States activities were mainly confined to maintenance of existing production.

Over the past year, Cochrane's exploration staff has generated a stockpile of prospects on Company lands. A record number of wells will be drilled in the coming year as Cochrane begins to finance exploration internally based on discretionary cash flow from greatly expanded natural gas sales.

Tooth bits



Canadian Activity

■ Cochrane Oil and Gas Properties

1. Tomato, Alberta
2. West Smoky, Alberta
3. West Pembina, Alberta
4. Milo, Alberta
5. Armada, Alberta
6. Heathdale, Alberta
7. Hayter, Alberta
8. Long Coulee, Alberta
9. Gainsborough, Saskatchewan
10. Burstall, Saskatchewan

■ Cochrane Mining Properties

1. Crystal Creek, British Columbia
2. Manitou-Stormy Lakes, Ontario

ARMADA, ALBERTA

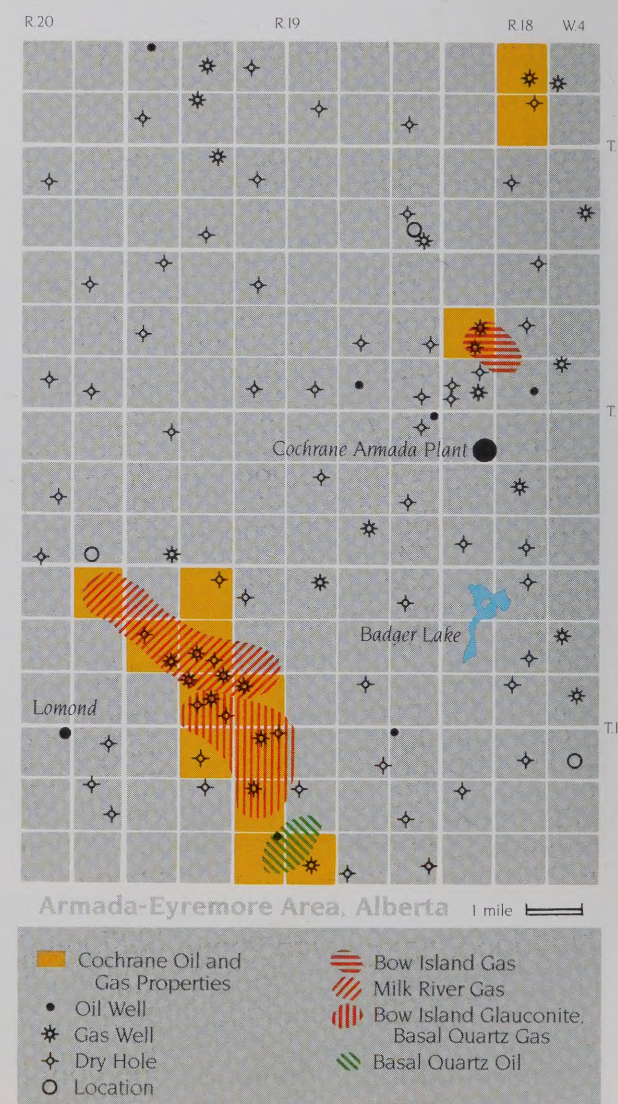
Cochrane has continued to actively delineate additional prospects in the Armada-Eyremore area of southeastern Alberta where varying interests ranging to 77.5% are maintained in 8960 acres. These lands remain as the Company's largest single source of oil and gas production revenue with 8 gas wells and 2 oil wells producing from a variety of Cretaceous sandstones.

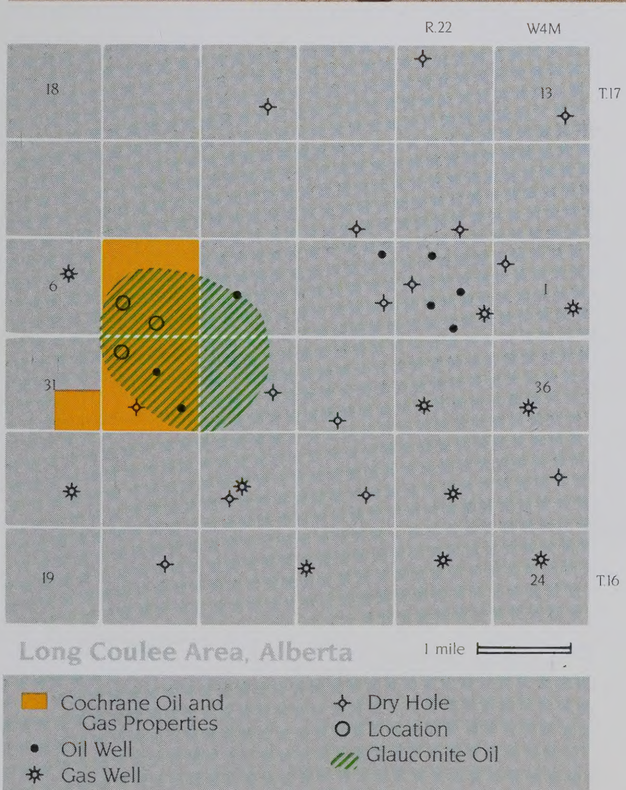
Four wells were drilled at Armada during 1983, resulting in one oil well, one gas well and two dry holes. The gas well, CRL et al ARMADA 14-9-16-19-W4M added 2 BCF to Company gas reserves and has produced on an almost continual basis at a rate in excess of 1.0 million cubic feet per day.

Through 1983, all Bow Island gas reserves were contracted to TransCanada PipeLines for full Alberta Border Price; however, the take was less than 50% of the contract maximum of 1.6 million cubic feet per day. For a portion of the year, 4 MMCFD was produced from Milk River, Glauconite and Basal Quartz reserves and sold for industrial use at a price equivalent to 60% of the Alberta Border Price.

Gas flaring from riser during testing of CRL et al Armada 14-9-16-19W4M, Alberta

Cochrane's gas markets are expected to expand dramatically over the ensuing 12 month period meaning that an increase in deliverability from the Armada area will be crucial. To ensure that supply will be able to match demand, an 8 to 10 well program involving a conservative mix of low risk development type wells and exploratory wells has been proposed for 1984. The most exciting prospect in this program will involve a well drilled to test for point bar sedimentation in a Glauconite paleochannel which is known to transect the Armada field. The total expenditure to run 20 miles of closely spaced seismic lines and drill the wells will be $2,100,000.

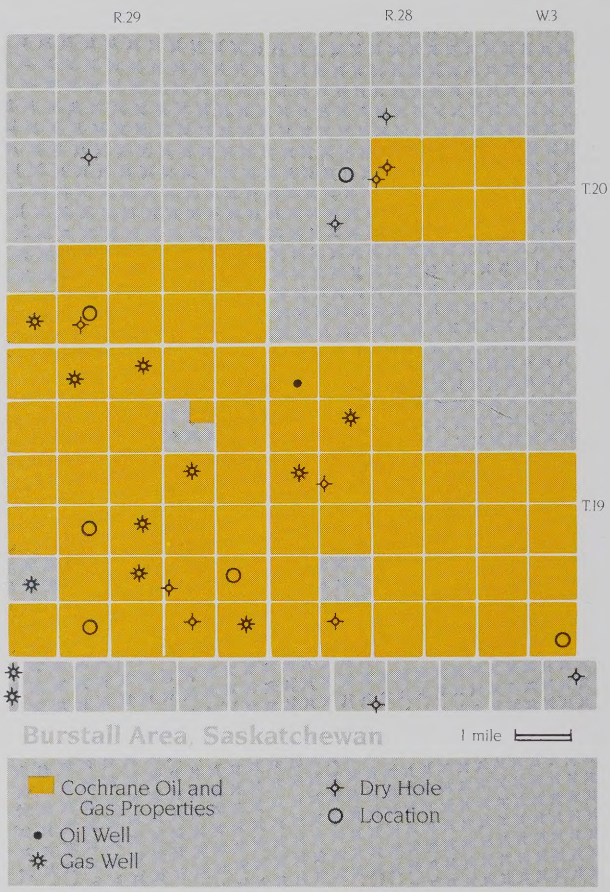




Pipe on rack during drilling of Long Coulee 10-32-16-22W4M, Alberta

LONG COULEE, ALBERTA

During May 1983, Cochrane and a Limited Partnership participated in a joint venture on lands farmed out from Dome Petroleum Limited. Under the terms of the farmout agreement, Cochrane and its partners were required to drill one Mississippian test well to earn a working interest in three sections. The initial well encountered a commercial reservoir in the Glauconite sandstone which commenced production of 32° API oil at a rate of 80 barrels per day. A development well was drilled during September 1983 and is now on production. Four additional development wells are planned for 1984 which should fully develop the field. Cochrane's combined 12½% working interest in gross production of 300 barrels per day will add substantially to Company cash flow.



BURSTALL, SASKATCHEWAN

The relatively recent change in the Saskatchewan government has resulted in a more progressive attitude towards expansion of gas markets and letting of new contracts for natural gas produced within provincial boundaries. Cochrane has taken advantage of this change in attitude and is nearing completion of negotiations on a substantial contract to produce gas from the Company's Burstall property. For over ten years, the Company has maintained a 50% working interest in 46,240 gross acres. Shallow reservoirs underlying these lands in the Milk River, Medicine Hat and Viking Sandstones hold proved non-producing and probable gas reserves of 31 billion cubic feet.

Though there are 17 shut-in gas wells now on the property, full development of the Milk River-Medicine Hat reserves on 160 acre spacing will necessitate the drilling of an additional 40-50 wells and installation of gathering and compression facilities to meet expected contract demands. Cochrane is planning an expenditure of $3,000,000 in 1984 to develop and market the existing Burstall reserves.

ARMADA GAS PROCESSING FACILITY, ALBERTA

During 1983, Cochrane Oil & Gas Ltd. continued to act as General Partner for Cochrane Oil & Gas Program 1979, a Limited Partnership created to provide financing for installation of a gas gathering and compression facility in the Armada area of southeastern Alberta. Cochrane was entitled to a management fee amounting to 5% of net operating income before payout and 15% after payout for operating this facility. As the availability of industrial gas markets has increased over the past 12 months, the volume of natural gas being processed through this facility is now approaching maximum throughput capacity of 15 million cubic feet per day. Cochrane in early 1984 completed a takeover of the assets of the Partnership and planning is now underway for expansion of the processing facility to 25 million cubic feet per day. A proposal for installation of a refrigeration unit to recover more than 100 barrels of natural gas liquids per day is also being studied.

This takeover has great strategic importance for Cochrane since it will ensure processing capacity in the Armada-Eyremore area which currently accounts for much of the Company's natural gas production. In addition processing revenue and sales of natural gas liquids will considerably enhance Cochrane's cash flow.

MINERALS

The Minerals division of the Company expended in excess of $200,000 during 1983 in exploring existing property and expanding our total claim position. Through further expenditures of $250,000 in 1984, enough data will be accumulated to provide the incentive for a major mining company to option the Company's properties and commit to extensive exploration programs.

MANITOU-STORMY LAKES PROPERTY

During April of 1983, the Company staked over 250 claim units in the Manitou Lakes area of northwestern Ontario. These claims were staked in the rush to reevaluate every greenstone belt in northern Ontario as the now famous Hemlo gold orebody revised prevailing theories on gold occurrence and host rock types.

The geology at Manitou Lakes consists of metavolcanic and metasedimentary sequences, and associated iron formations, with significant faulting and folding. Cochrane's claims were staked in response to a regional TRIDEM geophysical survey carried out by the Ontario Department of Mines that indicated significant anomalies over the ground which was subsequently staked by the Company.

Cochrane's ground controls most favourable geological structures and contacts along the Manitou Straits Fault and surrounds former gold producers such as the Queen Alexandra Mine on the eastern shore of Carleton Lake which produced with an average ore grade exceeding 0.85 ounces gold/ton. Two other former producers are located on Company property: The Giant Mine and the Glass Reef Mine, which in 1900 produced a limited amount of high grade ore.

During the summer of 1983, an extensive reconnaissance program of geological mapping, prospecting, geochemistry and geophysics was carried out, identifying several areas on our claim block which warranted followup work. Additional exploration of the property subsequently occurred during the fall of 1983 when closely spaced grids of VLF, magnetics and geochemistry were carried out on claims covering the Giant Mine. A zone of sheared metasediments which is 1000 metres in length and up to 100 metres in width was identified. A channel sample taken from a trench within the shear zone produced assay values of 0.5 - 0.6 ounces per ton gold over a minable width.

Core from Manitou-Stormy Lakes gold property, in Ontario, awaits shipment to assay lab

During January and February of 1984, a 4,000 foot program of diamond drilling was carried out on selected portions of the property. At the conclusion of this drilling program, the property will have been sufficiently upgraded to entertain proposals for further exploration by a major mining company at no cost to Cochrane.

CRYSTAL CREEK, BRITISH COLUMBIA

During the summer of 1983, the Company participated to its 50% working interest in a joint venture exploration program of ground geophysics and diamond drilling on the 28,000 acre Crystal Creek lead-zinc-silver property located 52 miles southwest of Golden, British Columbia. This property completely surrounds the Ruth Vermont Mine which operated intermittently from 1889 to 1980, producing substantial amounts of lead, zinc and silver.

The 1983 program identified several new geophysical anomalies. Coring on these anomalies encountered mineralization which produced assays ranging to 13.1 ounces/ton silver, 6.95% lead and 18.2% zinc over limited widths.

Although no further exploration of this property by Cochrane is anticipated in the coming year, a commitment from a large mining company to carry out a major exploration program is being actively pursued.

FINANCIAL REVIEW

Total Revenue of $823,968 in 1983 represents a decrease of $284,090 from 1982. This decrease is directly attributed to the decreased demand for gas from the major gas purchasers in turn reflecting the decrease in export sales. Not reflected in Cochrane's revenue stream are gas sales of $338,603 which were credited to Cochrane Exploration Program 82 and processing and oil and gas sales of $646,496 attributed to Cochrane Oil & Gas Program 1979. Both funds were operated by Cochrane in 1983. The major part of Cochrane's gas sales occurred late in 1983 with the signing of an industrial gas sales contract with the gas being delivered to a fertilizer plant in Medicine Hat, Alberta. Although gas sales are at a discount of the Alberta Border Price, all of the Export Rebate flows back to the Producer and a further benefit is the much lower local transportation cost in comparison to that experienced under export sale contracts.

As a result of the takeover of Program 1979 in early 1984, the possible acquisition of Program 82 later in 1984, together with new gas sales contracts currently being negotiated, Cochrane will experience a significant increase in revenues in 1984.

EXPENSES

Total expenses of $1,266,744 include $195,388 in non-cash items. Overhead costs of $369,606 and project evaluation costs of $208,206 were reduced by $242,790 as a result of operating fees and APIP grants. The balance of $736,334 of expenses is comprised of well operating, bank interest, professional fees and bad debts.

EARNINGS

As stated, the Company experienced a loss of $393,247 for the year, however, after adding back non-cash items of $197,988 the stated loss of 8 cents per share would be decreased by approximately 4 cents per share.

FINANCIAL POSITION

The stated working capital deficiency at year end is indicated to be $2,179,182. However all the Company's bank debt has been included in current liabilities. The amount of the bank debt at year end is $2,203,349.

The Company does not have a working capital surplus at year end, however, with increasing gas sales, and by virtue of anticipated financings such as flow through share offerings, Limited Partnerships issues and Common or First Preference Share issues, the Company should be able to very rapidly expand its producing asset base without further erosion of its working capital position. As more gas properties come on stream, the Company should realize major increases in cash flow which will enable it to carry out most of its future expansion from internally generated funds.

AUDITORS' REPORT

To the Shareholders of
Cochrane Oil & Gas Ltd.

We have examined the consolidated balance sheet of Cochrane Oil & Gas Ltd. as at December 31, 1983 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
April 6, 1984

Thorne Riddell
Chartered Accountants

CONSOLIDATED BALANCE SHEET

As At December 31 1983

ASSETS	1983	1982
CURRENT ASSETS		
Cash and term deposits	$ 22,886	$ 171,131
Accounts receivable		
Trade	728,948	644,854
Drilling programs	2,721	1,269,604
Deposits and prepaid expenses	38,583	37,190
	793,138	2,122,779
RECEIVABLE ON SHARE PURCHASE OPTION PLAN (note 5(d))	105,000	105,000
FIXED ASSETS (note 2)	5,912,094	5,141,242
OTHER ASSETS	10,000	—
	$6,820,232	$7,369,021
LIABILITIES		
CURRENT LIABILITIES		
Bank loan (note 3)	$2,203,349	$2,305,000
Accounts payable and accrued liabilities	761,743	1,115,190
Due to shareholders	7,228	8,350
	2,972,320	3,428,540
GAS PRODUCTION PREPAYMENTS (note 4)	384,906	373,878
DEFERRED INCOME TAXES	528,506	525,906
SHAREHOLDERS' EQUITY		
CAPITAL STOCK issued and to be issued (net of shares to be cancelled) (note 5)	4,049,488	3,762,438
DEFICIT	(1,114,988)	(721,741)
	2,934,500	3,040,697
	$6,820,232	$7,369,021

CONTINGENT LIABILITIES AND RELATED PARTY TRANSACTIONS (note 9)
SUBSEQUENT EVENTS (note 10)

Approved on behalf of the Board

George Fefan .... Director

A. Hunke .... Director

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

Year Ended December 31, 1983

	1983	1982
Revenue		
Petroleum and natural gas sales	**$ 558,615**	$ 921,875
Interest and other	**265,353**	186,183
	823,968	1,108,058
Expenses		
Well operating costs	**248,794**	366,780
Interest	**273,942**	352,752
General and administrative	**369,606**	277,483
Depreciation and depletion	**112,535**	188,679
Abandonment of mineral claims	**82,853**	98,484
Professional and consulting fees	**195,892**	86,825
Project evaluation expenses	**208,206**	251,467
Bad debts	**17,706**	4,127
Overhead costs recovered	**(242,790)**	—
	1,266,744	1,626,597
Loss before income taxes	**(442,776)**	(518,539)
Income taxes		
Alberta royalty tax credit	**(52,129)**	(126,887)
Deferred (reduction)	**2,600**	(46,800)
	(49,529)	(173,687)
LOSS FOR THE YEAR	**(393,247)**	(344,852)
DEFICIT AT BEGINNING OF YEAR	**(721,741)**	(376,889)
DEFICIT AT END OF YEAR	**$(1,114,988)**	$ (721,741)
LOSS PER SHARE, based on the weighted average number of shares outstanding	**$ (.08)**	$ (.09)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1983

	1983	1982
WORKING CAPITAL DERIVED FROM		
Gas production prepayments	$ 11,028	$ 291,218
Issue of common shares		
For cash	246,800	248,000
By conversion of interest on note payable	24,000	—
In exchange for consulting services	16,250	—
Receivable on share purchase option plan	—	210,000
	298,078	749,218
WORKING CAPITAL APPLIED TO		
Operations	195,259	104,489
Fixed assets	966,240	527,482
Other assets	10,000	—
Cancellation of common shares for notes from employees	—	210,000
	1,171,499	841,971
DECREASE IN WORKING CAPITAL POSITION	(873,421)	(92,753)
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	(1,305,761)	(1,213,008)
WORKING CAPITAL DEFICIENCY AT END OF YEAR	$(2,179,182)	$(1,305,761)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 1983

1. ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Cochrane Resources Ltd., 200316 Holdings Ltd., and Cochrane Oil & Gas Inc.

(b) Petroleum and Natural Gas Operations

The Company follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property and the costs of drilling both productive and non-productive wells. These costs are depleted on a North American cost centre basis using the unit of production method based on estimated recoverable reserves of petroleum and natural gas as determined by the Company.

Substantially all of the exploration and production activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

(c) Mining Claims

Mining claims are recorded at the original cost of all claims acquired in each area of interest. Exploration and other expenditures pertaining thereto have been deferred and will be amortized, together with the cost of the related mining claims, against production from future mining operations. If any claims in an area of interest are surrendered, the cost of the claims and the related exploration expenses will be charged to earnings.

All of the mining claims are in the exploratory and development stage and a determination has not yet been made whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mining claims and deferred expenditures is dependent upon the existence of economically recoverable reserves and upon future profitable production.

(d) Depreciation

Depreciation is provided on the diminishing balance basis at rates which will amortize the assets over their estimated useful lives.

(e) Foreign Currency Translation

Amounts in United States currency have been translated into Canadian dollars on the following basis:

(i) Current assets and current liabilities, at the rate of exchange in effect as at the balance sheet date;

(ii) Fixed assets, at the rate of exchange in effect at the date on which the respective assets were acquired;

(iii) Revenue and expenses (excluding depreciation and depletion which are translated at the same rates as the related assets), at the average rate of exchange for the year.

2. FIXED ASSETS

	1983			1982
	Cost	Accumulated Depreciation and Depletion	Net	Net
Petroleum and natural gas leases and rights including exploration, development and equipment thereon	$6,042,009	$497,757	$5,544,252	$4,870,686
Office equipment	51,823	36,472	15,351	19,188
Leasehold improvements	15,136	9,081	6,055	9,082
	6,108,968	543,310	5,565,658	4,898,956
Mining claims	22,000	—	22,000	27,000
Drilling and camp equipment	25,804	18,854	6,950	7,087
Deferred expenditures	317,486	—	317,486	208,199
	365,290	18,854	346,436	242,286
	$6,474,258	$562,164	$5,912,094	$5,141,242

3 BANK LOAN

The bank loan is evidenced by a demand promissory note and is secured by the Company's petroleum and natural gas properties

4 GAS PRODUCTION PREPAYMENTS

Pursuant to the provisions of certain gas purchase contracts as amended by an arrangement between the Company, TransCanada PipeLines Limited ("TransCanada") and Topgas Holdings Limited, $384,906 has been received for gas to be delivered at future dates The Company is required to deliver a minimum of 10% of the prepaid gas outstanding as of December 31, 1983 in each contract year commencing November, 1984.

5 CAPITAL STOCK

(a) Authorized Share Capital

During the year the Company increased its authorized share capital to

50,000,000 Common shares without nominal or par value.

10,000,000 First Preference Shares with a par value of $10 per share, to be issued in series at prices and terms to be determined by the Company's directors.

(b) Issued (net of shares to be cancelled)

Changes in the capital stock of the Company during the year were as follows:

	Number of Shares	Amount
Balance at December 31, 1982	4,529,711	$3,762,438
Issued for cash		
—on exercise of employee share purchase options	20,000	6,800
—on private placement of "flow-through" shares	165,000	150,000
—to Limited Partners of Cochrane Exploration Program 82	180,000	90,000
Issued		
—on conversion of interest on note payable	30,000	24,000
—in exchange for consulting services	25,000	16,250
Balance at December 31, 1983	4,949,711	$4,049,488

As a result of the termination of a former employee, the Company has reflected in its accounts the cancellation of 100,000 common shares at their original issuance value of $210,000. The cancellation of the shares is pending approval of regulatory authorities.

(c) Share Purchase Options

The Company has issued the following share purchase options:

(i) 180,000 shares under the Company's Employee Share Purchase Plan at prices varying from $.34 to $.81 per share expiring in 1987 and 1988, respectively.

(ii) 400,000 shares to a consultant of the Company at a price of $.52 per share expiring in 1988.

(d) Receivable on Purchase Option Plan

The receivable on share purchase option plan relates to the issuance to employees, under the terms of a share purchase option plan of 50,000 common shares of the Company at $2.10 per share. The shares are held by The Canada Trust Company to be released upon payment for the shares up to June 30, 1986.

6. SEGMENTED INFORMATION

The Company has a single line of business which is the exploration for and development and production of petroleum and natural gas. Information about the Company's operations by geographic segment is as follows:

1983	Canada	United States	Total
Gross revenues	$ 287,805	$ 270,810	$ 558,615
Operating profit	$ 11,108	$ 186,178	$ 197,286
Interest and other income			265,353
General and administrative and interest expense			(822,562)
Abandonment of mineral claims			(82,853)
Loss before income taxes			$ (442,776)
Identifiable assets	$5,590,729	$1,229,503	$6,820,232

1982	Canada	United States	Total
Gross revenues	$ 682,750	$ 239,125	$ 921,875
Operating profit	$ 219,170	$ 147,246	$ 366,416
Interest and other income			186,183
General and administrative and interest expense			(972,654)
Abandonment of mineral claims			(98,484)
Loss before income taxes			$ (518,539)
Identifiable assets	$6,191,762	$1,177,259	$7,369,021

7. INCOME TAXES

As at December 31, 1983, the Company had the following deductions available to reduce future years' earnings for income tax purposes, the effect of which has not been recorded in the accounts (all subject to final determination by taxation authorities):

(i) Canada	
Loss carry-forwards (expiring in varying amounts beginning in 1984)	$1,199,000
(ii) United States	
Loss carry-forwards (expiring in varying amounts beginning in 1995)	$ 575,000
Excess of book value over tax value	(455,000)
	$ 120,000

8. STATUTORY INFORMATION

The total remuneration paid to directors and senior officers of the Company which by statute includes the five highest paid employees amounted to $344,154.

9. CONTINGENT LIABILITIES AND RELATED PARTY TRANSACTIONS

(a) On November 1, 1982, the Company became the General Partner of Cochrane Exploration Program 82, an Alberta Limited Partnership. The Company manages, controls and operates the business of the Partnership and in return receives a management fee of 5% of the Partnership's net operating income.

Under the terms of the Partnership agreement, the Company will offer the Limited Partners the right to exchange their partnership unit for common shares of the Company not later than two years following the expenditures of the Limited Partners' capital commitment.

(b) A subsidiary of the Company

(i) is the General Partner of Cochrane Oil & Gas Program 1979, an Alberta Limited Partnership.

(ii) has guaranteed the obligations of a non-related Company to a maximum of $100,000 as part of the terms of their 20% investment in that Company. The shares representing their 20% investment have been pledged as additional security on that Company's loans.

(c) The Company received $50,497 of interest from the above partnerships, being the interest paid to the bank by the Company on behalf of the partnerships. The Company charged the above partnerships management fees of $97,236 and was charged with $43,948 in processing fees.

10. SUBSEQUENT EVENTS

(i) In February 1984, the Company issued 14,000 8% Convertible First Preference Shares—Series A in exchange for mining claims.

(ii) On February 24, 1984 the Company made an offer to purchase all of the 30 limited partnership units of the Cochrane Oil & Gas Program 1979 liminted partnership on the basis of $30,000 cash and 7,000 8% Convertible First Preference Shares—Series A shares of the Company for each limited partnership unit.

The Company has indicated that it is its intent to incorporate the business and the assets of the limited partnership into the business and the assets of the Company.

CORPORATE INFORMATION

DIRECTORS & OFFICERS

George Isfan
President and Chief Executive Officer

Arthur Hironaka
Senior Vice-President & Secretary-Treasurer

R. W. Shepherd
Vice-President, Exploration

David Craig
Vice-President, Operations

CORPORATE HEADQUARTERS

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Stock symbol—COG

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